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## **Zimbabwe**

### Cotton and Products

### **Voluntary report**

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**Report Highlights:**

In 2007, Zimbabwean cotton production increased marginally to more than 110,000 tons lint. This was achieved in spite of a drought and is a very positive development for the 200,000 small-scale farmers who produce 98% of the crop. Cotton lint is now the second most important agricultural export after tobacco earning US\$ 102 million in 2006 compared to the US\$ 108 million earned by tobacco. More importantly, it creates hope that small-scale production can assist the ailing economy if properly supported by the trade, as government assistance has not been successful to date.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Unscheduled Report  
Pretoria [SF1]  
[RH]

## Summary

Seed cotton production increased marginally by 3.9% from 260,000 MT in 2006 to an estimated 270,000 MT in 2007. Projections were for a 350,000 MT crop but the severe drought that affected most parts of the country adversely affected cotton production.

A new regulatory framework for buyers and merchants has been put in place starting this season. The aim is to encourage production and protect the industry following marketing problems that arose due to the proliferation of buyers.

The current price of seed cotton at Z\$6,500/kg has already been reviewed three times since the opening of the marketing season. The hyper inflationary environment prevailing in the country has necessitated regular price reviews. The export quota for lint is 70%. Lint exports in MY 2007 are expected to reach 77,490 MT compared to 68,597 MT in 2006.

Exchange rate:     US\$1 =        Z\$250 (official)  
                          US\$1 =        Z\$35,000 (parallel)

## Cotton

### Cotton Production Table

Marketing Year begin	08/2006	08/2007	08/2008 Forecast
Area planted (ha)	370,000	350,000	370,000
Area harvested (ha)	370,000	350,000	370,000
Seed cotton production (MT)	260,000	270,000	300,000
Yield (t/ha)	0.70	0.77	0.81
Seed cotton consumption (MT)	78,000	81,000	90,000
Lint production (MT)	106,600	110,700	123,000

### Production

The cotton production estimate for MY 2006 has been adjusted downward from 330,000 MT to 260,000 MT in line with new information obtained from the cotton industry.

The 2007 seed cotton production is estimated to increase marginally from 260,000 MT last season to 270,000 MT this season. Initial crop forecasts were for a 350,000 MT crop. The drought that affected most of the country in 2006/7 growing season adversely affected the cotton crop, although to a lesser extent than most crops, particularly corn. The cotton plant has drought tolerance characteristics that enable it to withstand dry conditions better than most crops. Area planted to cotton is estimated at 350,000 hectares and the average yield 0.77 MT/ha, lower than the long-term average yield of about 0.8 MT/ha.

About 200,000 small-scale farmers produce 98% of the country's cotton. They have limited access to financial resources. Ginners and merchants play a critical role in supporting cotton production by providing extension support and crop inputs such as seed, fertilizers and pesticides on credit. The growers in turn sign contracts that bind them to sell their seed cotton to the contractor. The liberalization of the industry brought in more merchants and buyers than in the previous two seasons but also ushered in new challenges to the smooth execution of these contracts. Side marketing of the contracted crop to buyers who did not supply inputs has become rampant and is a threat to contract growing arrangements and the growth of cotton production in the country. Without contractor support, cotton production would decline.

Another potential threat to production this season was the illegal production of cotton from the previous year's stalks following failure to destroy cotton stalks in the prescribed period between August and September by a few farmers in a major cotton production area. As a way to control cotton pests and diseases a 'dead period' or 'closed season' is enforced whereby all cotton stalks should be destroyed between 1 August and 15 August in the southeastern cotton growing areas and between 15 August and 10 September for the rest of the country. By regulation, all cotton stalks should be destroyed at least 50 days before planting.

Due to the economic crisis in the country, some farmers have resorted to unorthodox farming practices as a way to cut down production costs. Although this practice was not widespread, growing cotton from the previous year's stalks can encourage the upsurge of pest infestation such as pink bollworm, a persistent pest that attacks the seeds of ripe or maturing bolls. Pink bollworm is particularly difficult to control chemically because once it attacks the bolls its entry hole is obstructed by growth and becomes invisible. AREX, the extension arm of the government plans to tighten the enforcement of the cotton destruction dates in the 2007/8 season.

#### Prices

The current price of seed cotton is Z\$6,500 /kg. Seed cotton prices opened at Z\$1,500 in March and have now been increased by 333% to the current Z\$6,500 as the value of the local currency continues to decline. Zimbabwe's economy is currently reeling from hyperinflation, with the April year-on-year inflation rising to 2,200%. The seed cotton price will be revised periodically in line with the hyperinflationary environment prevailing in the country.

**Cotton Lint**

Country	Zimbabwe								
Commodity	Cotton lint								
Hectares	2006 Revised			2007 Estimate			2008 Forecast		
	Post			Post			Post		
	USDA	Post	Estimate	USDA	Post	Estimate	USDA	Post	Estimate
1,000X480 lb. bales	Official	Estimate	New	Official	Estimate	New	Official	Estimate	New
Market Year Begin	08/2006	08/2006		08/2007	08/2007		08/2008	08/2008	
Area Planted	0	370	370	0	0	350	0	0	370
Area Harvested	390	370	370	0	0	350	0	0	370
Beginning Stocks	186	20	65	0	90	78	0	0	62
Production	525	621	490	0	0	509	0	0	565
Imports	0	0	0	0	0	0	0	0	0
MY Imports from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	711	641	555	0	90	587	0	0	627
Exports	400	436	315	0	0	356	0	0	395
Use	80	110	147	0	0	153	0	0	170
Loss	15	5	15	0	0	16	0	0	15
Total Dom. Cons.	95	115	162	0	0	169	0	0	185
Ending Stocks	216	90	78	0	0	62	0	0	47
Total Distribution	711	641	555	0	0	587	0	0	627

**Production**

Lint production is estimated to reach 110,700 MT, (509,000 bales) marginally higher than last year's 106,600 MT (490,000 bales). The local lint recovery rate from seed cotton is 41%.

**Policy**

The National Cotton Council (NCC) is the umbrella body that represents the cotton sector and maintains a register of all seed cotton purchases in the industry. Under it is the National Association of Cotton Ginners, Merchants and Buyers (NACGMB) a body representing 21 companies. Twenty of the 21 companies are involved in contract cotton production. NACGMB's role is to ensure orderly purchasing and marketing of the cotton crop, fair trade in the industry and adherence to quality standards.

Following the de-regulation of seed cotton and lint marketing, side marketing where growers sell their seed cotton to non-contracted buyers is posing a major challenge to the growth of cotton production. In order to prevent this negative practice and protect the sector from collapse, government and the NACGMB formulated a framework that would regulate the cotton industry. It was agreed in October 2006 that input support extended to farmers be used as the major criterion in the granting of exports permits. By implication, all export permits for 2007 would be issued on the basis of proven levels of cotton crop production support. Cotton buyers will now be required to prove that they supported growers during production and export permits to buyers would be granted in line with the amount of resources

invested in the crop's production. Companies that supported production more would be entitled to more export quotas. It was also agreed that buyers who did not support production be barred from buying cotton direct from farmers. Prior to this measure, any buyer was able to purchase cotton from growers for export.

This regulatory framework for the cotton industry will be implemented starting in the 2007 marketing year. Cotton industry players are optimistic that this new framework will play a pivotal role in promoting expansion of cotton crop production.

The Government policy of prohibiting production of transgenic cotton in Zimbabwe is changing. Recently the government encouraged the cotton industry to develop and adopt GMO varieties of cotton in order to reduce labor requirements, improve crop quality and reduce damage to the environment.

### **Consumption**

The current domestic to export quota for cotton lint is 30% to 70%. Thus all ginnerers are required to supply 30% of their lint production to the local industry. In 2007 it is expected that 33,210 MT lint will be supplied to local spinners. The local industry has the capacity to process between 40,000 and 50,000 MT lint per annum.

The Zimbabwe spinners and textile manufacturers experienced a shortage of lint in their mills in MY 2006. The shortage resulted from some ginnerers who did not honor their obligations of supplying 30% of their lint production to the local market leading to the government placing a lint export embargo on 5 ginnerers in January 2007. A shortage of fabrics prevailed in the textile sector in 2006 and the shortage of foreign currency to import fabrics exacerbated the situation. The shortage of fabrics hampered the sector's potential to export into the region, particularly to South Africa where there is a lucrative market.

Zimbabwe's textile sector is strategic to the economy as it contributes significantly to the Gross Domestic Product through exports. However, many firms in the sector are facing production constraints and reduced capacity utilization due to the current volatile economic climate. Jobs in the sector have shrunk from the industry's capacity of 30,000 to about 15,000 and it is also facing stiff competition from the Asian textile industry where labor costs are low.

Zimbabwe's textile industry, unlike countries such as Mauritius and Lesotho that recorded large volume contractions in manufacturing, has not been affected much by the expiry of the Multi-Fiber Arrangement in 2005.

### **Trade**

Cotton lint is the second most important agricultural export after tobacco. In 2006 the country exported about 69,000 MT of cotton lint, bringing in US\$102 million compared to US\$108 million for tobacco. This year cotton lint exports are expected to reach 77,490 MT.

Thirty percent of local lint production is value added in the country and the remaining 70% of lint is exported. Exports are only possible if the exporter applies for and is granted an export permit by the government. Export permit applications have to be supported by the National Cotton Council who only recommends members that are assisting growers and complying with supplying the required lint quota to the local market.

In 2006 a total of 68,597 MT of lint were exported. The major export destinations were the Far East and Africa, accounting for 42% and 40% of exports respectively whilst Europe accounted for 15.7%. Among the African export destinations South Africa took in 25,890 MT of the 27,204 MT or 95%. The high export figure for South Africa however is not a true reflection of consumption by that country. Every year several ginning companies warehouse lint in South Africa as they speculate on the world market price. Most of this lint is later re-exported to other destinations but this data is not available.

## Exports:

### Export Trade

Country	Zimbabwe		
Commodity	Cotton lint		
Time Period	CY	Units:	MT
Exports for:	2005		2006
U.S.	0	U.S.	2
Others	Others		
South Africa	27906	South Africa	25890
Thailand	13353	Thailand	10920
Italy	4102	Italy	5479
Singapore	7491	Singapore	9917
UK	5054	UK	1873
Switzerland	3123	Switzerland	1139
Japan	5201	Japan	2492
Germany	4817	Germany	2120
Total for Others	71047		59830
Others not Listed	14798		8767
Grand Total	85845		68599

In the Far East the main export destinations were Thailand, Singapore and Japan whilst Italy, Germany and the UK were the main European export destinations. South Africa and Zambia were the main African export destinations.

Cotton yarn and fabric were also exported. The tables below show cotton yarn and fabric exports to various destinations.

## Cotton Fabric exports

Metric tons	2005	2006
South Africa	1119	1213
United Kingdom	137	147
Zambia	0	80
Mozambique	25	5
Malawi	533	4
Others	4736	1
Total	6550	1450

Source: Central Statistical Office, Ministry of Industry and Trade, Government of Zimbabwe

## Cotton Yarn Exports

Metric tons	2005	2006
South Africa	4623	5520
Botswana	587	505
Portugal	0	398
Germany	0	26
Singapore	0	16
Malawi	0	10
Mozambique	0	10
Others	17	1
Total	5227	6486

Source: Central Statistical Office, Ministry of Industry and Trade, Government of Zimbabwe

The 2006 cotton fabric exports were only 22% of those of 2005. The low exports can be attributed to the shortage of lint experienced in the domestic market in 2006. Meanwhile cotton yarn exports in 2006 increased by 24% compared to the 2005 exports.

## Imports

The country does not import cotton lint but mainly imports cheap fabrics from other countries. In 2006 a total of 2,401 MT of fabrics was imported mainly from South Africa, Hong Kong, China and Mauritius compared to 670 MT in 2005 as shown in the table below.

Fabric imports MT	2005	2006
South Africa	347	1074
Hong Kong	21	696
China	20	142
Mauritius	100	180
Others	182	309
Total	670	2401



Source: Central Statistical Office, Ministry of Industry and Trade, Government of Zimbabwe

The shortage of fabrics in the local market in 2006 was the major reason for the increased fabric imports.

### **Stocks**

Zimbabwe's cotton lint ending stocks at the end of the 2007 season are expected to be low due to the reduced seed cotton harvest and the shortage of lint in the local market during 2006 after some companies failed to supply their domestic quota requirements.